TOWNSHIP OF ST. CHARLES SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

Michigan Department of Treasury 496 (02/06) Auditing Procedures Report

	Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.									
Local Unit of Government Type				Local Unit Name		_	County			
	ount	y	□City	⊠Twp	□Village	□Other	St. Charle	s Township		Saginaw
Fiscal Year End Opinion Date		2000		Date Audit Report Submitte	ed to State					
Jui	ne 3	0, 20	JU6		August 9, 2	2006		October 15, 2006		
We a	ffirm	that	:							
We a	re ce	ertifie	d public ac	countants	licensed to pr	ractice in M	lichigan.			
	We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).									
	YES	8	Check ea	ich applic	able box belo	w. (See in	structions for	further detail.)		
1.					nent units/fund es to the financ				ancial stater	ments and/or disclosed in the
2.	×							unit's unreserved fund bala budget for expenditures.	ances/unres	stricted net assets
3.	X		The local	unit is in o	compliance wit	h the Unifo	rm Chart of	Accounts issued by the De	epartment of	f Treasury.
4.	×		The local	unit has a	idopted a budg	get for all re	equired funds	i.		
5.	X		A public h	nearing on	the budget wa	as held in a	ccordance w	rith State statute.		
6.					ot violated the ssued by the L			an order issued under the Division.	e Emergeno	y Municipal Loan Act, or
7.	×		The local	unit has n	ot been deling	uent in dis	tributing tax i	evenues that were collect	ed for anoth	ner taxing unit.
8.	×		The local	unit only h	nolds deposits.	/i nvestm en	ts that compl	y with statutory requireme	nts.	
9.	×			The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin).						
10.	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.									
11.	\times		The local	unit is free	e of repeated o	comments	from previous	s years.		
12.	×		The audit	opinion is	UNQUALIFIE	D.				
13.	×				complied with (g principles (G		r GASB 34 a	s modified by MCGAA Sta	itement #7 a	and other generally
14.	×		The board	d or counc	il approves all	invoices p	rior to payme	ent as required by charter	or statute.	
15.	×		To our kn	owledge,	bank reconcilia	ations that	were reviewe	ed were performed timely.		
incli des	uded cripti	in th on(s)	his or any of the aut	other aud hority and		do they of n.	btain a stand	d-alone audit, please enc		ne audited entity and is not me(s), address(es), and a
We	have	e end	losed the	following	g:	Enclosed	Not Require	ed (enter a brief justification)		-
Fina	ancia	I Sta	tements			\boxtimes				
The	lette	er of (Comments	and Reco	ommendations	X				
Oth	er (De	escrib	e)							
			Accountant (Fi	•		•		Telephone Number		
Barry E. Gaudette, CPA, PC					(231) 946-8930					
Street Address 1107 E. Eighth Street					City Traverse City	State MI	Zip 49686			
Authorizing CPA Signature (Pri	inted Name	- raterise only	License Nu				
Si	Barry E. Gaudette, CPA 11050									

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Township of St. Charles List of Elected Officials June 30, 2006

Lawrence J. Mahoney Supervisor

Elaine K. Rolando Clerk

Kathleen M. Klein Treasurer

Vivian M. Vogelaar Trustee

John Vogt Trustee

FINANCIAL SECTION

1107 East Eighth Street Traverse City, Michigan 49686 (231) 946-8930 Fax (231) 946-1377

INDEPENDENT AUDITORS' REPORT

Members of the Township Board Township of St. Charles Saginaw County, Michigan

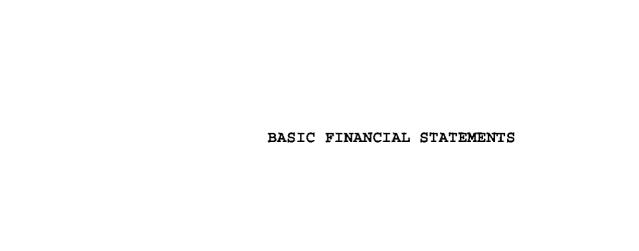
I have audited the accompanying financial statements of the governmental activities and each major fund of the Township of St. Charles, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of St. Charles, Michigan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of St. Charles, Michigan, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Bary Flankells, AN, Pl. August 9, 2006



Township of St. Charles Statement of Net Assets June 30, 2006

	Governmental <u>Acti</u> vities
ASSETS Cash and cash equivalents Investments Restricted cash Prepaid expenses Capital assets (net of accumulated	\$ 105,658 50,000 2,543 6,200
depreciation): Land Buildings & improvements Machinery & equipment Office furniture & equipment Cemetery, improvements & equipment	8,835 83,563 4,633 20,729 18,891
Total Assets	301,052
LIABILITIES Accounts payable Accrued expenses Total liabilities	18,827 1,547 20,374
NET ASSETS Invested in capital assets Restricted for: Cemetery Chapel Fund Unrestricted	136,651 2,543 141,484
Total net assets	<u>\$ 280,678</u>

Township of St. Charles Statement of Activities For the Year Ended June 30, 2006

	Program Revenues				
Functions /Programs	Expenses	Fees, Charges for <u>Services</u>	Operating Grants and Contrib.'s	Capital Grants and Contrib.'s	
Governmental activities:					
Legislative	\$ 4,673	\$	\$	\$	
General	\$ 4,075	4	Υ	Ψ	
government	114,390	5,837			
Public safety	12,790	·			
Public works	124,942	61,158			
Community/ economic					
development	3,970	10,021			
Health &					
welfare	1,123				
Recreation &					
culture	6,000				
Other:	E00				
Ecology	500				
Depreciation	<u>16,887</u>				
Total					
governmental					
activities	<u>\$285,275</u>	<u>\$ 77,016</u>	\$	<u>\$</u>	

General revenues:

Property taxes & administrative fees Licenses & fees State aid Interest Rentals Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net(Expenses) Revenues and Changes in Net Assets

Governmental <u>Activities</u>

\$(4,673)

(108,553) (12,790) (63,784)

6,051

(1,123)

(6,000)

(500) (16,887)

(208,259)

87,045

94,828

4,135

240

2,876

189,128

(19,131)

299,809

\$ 280,678

Township of St. Charles Balance Sheet Governmental Funds June 30, 2006

	<u>General</u>	Total Governmental Funds
ASSETS Cash and cash equivalents Investments Restricted cash Prepaid expenses	\$ 105,658 50,000 2,543 6,200	\$ 105,658 50,000 2,543 6,200
Total Assets	<u>\$ 164,401</u>	<u>\$_164,401</u>
LIABILITIES AND FUND BALANCES Liabilities: Accounts payable Accrued expenses Total liabilities Fund balances:	\$ 18,827 1,547 20,374	\$ 18,827
Reserved for: Cemetery Chapel Fund Unreserved reported in: General fund	2,543 <u>141,484</u>	2,543 <u>141,484</u>
Total fund balances	144,027	144,027
Total liabilities and fund balances	<u>\$ 164,401</u>	<u>\$ 164,401</u>

Township of St. Charles Reconciliation of the Governmental Funds Balance Sheet With the Statement of Net Assets June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds

\$ 144,027

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of capital assets
Accumulated depreciation

186,087 <u>(49,436</u>)

Total Net Assets - Governmental Activities

\$ 280,678

Township of St. Charles Statement of Revenues, Expenditures and Changes In Fund Balance

Governmental Funds For the Year Ended June 30, 2006

		Total
		Governmental
	<u>General</u>	<u>Funds</u>
REVENUES		
Taxes & adm. fees	\$ 87,045	\$ 87,045
Licenses & fees	10,025	10,025
State aid	94,828	94,828
Charges for services	5,837	5,837
Interest	4,135	4,135
Rents	240	240
Other:	2.0	240
Special assessments	61,158	61,158
Miscellaneous	<u>2,876</u>	<u>2,876</u>
Total revenues	266,144	266,144
	<u> </u>	
EXPENDITURES		
Current:		
Legislative	4,673	4,673
General government	114,390	114,390
Public safety	12,790	12,790
Public works	124,942	124,942
Community/economic development	3,970	3,970
Health & welfare	1,123	1,123
Recreation & culture	6,000	6,000
Ecology	500	500
Capital outlay	<u> </u>	<u>5,134</u>
Total expenditures	273,522	272 522
•	<u> </u>	<u>273,522</u>
Net changes in fund balances	(7,378)	(7,378)
Fund balances - beginning	<u>151,405</u>	151,405
Fund balances - ending	<u>\$ 144,027</u>	<u>\$ 144,027</u>

Township of St. Charles Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds To the Statement of Activities For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balances - governmental funds

\$(7,378)

Capital outlays to purchase capital assets and books are recorded in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and are depreciated over their estimated useful lives as annual depreciation in the statement of activities.

This amount by which capital outlays exceeded depreciation in the period.

Capital outlays \$ 5,134 Depreciation expense (16,887) (11,753)

Change in net assets of governmental activities \$(19,131)

Township of St. Charles General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2006

Variance

	Budgeted	Amounts		with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Property taxes and related fees Building permits Dog licenses State aid Grave lots and	\$ 86,500 \$ 8,300 10 95,000	86,500 8,300 10 95,000	\$ 87,045 10,021 4 94,828	\$ 545 1,721 (6) (172)
other sales Interest Special assessments	8,500 1,160	8,500 1,160	5,837 4,135	(2,663) 2,975
- refuse Rents Miscellaneous	64,000 <u>5,000</u>	64,000 5,000	61,158 240 2,876	(2,842) 240 <u>(2,124</u>)
Total revenues	<u>268,470</u>	268,470	266,144	(2,326)
EXPENDITURES Current: Legislative: Township board	4,500	4,500	4,673	(173)
General government: Supervisor Elections Accounting &	9,150 4,000	9,200 4,060	8,956 2,517	244 1,543
general Assessor Attorney Clerk Board of review Treasurer Township hall Cemetery	35,900 15,000 1,500 11,000 2,200 25,500 7,500 14,100	35,900 15,700 1,500 11,200 2,200 25,500 7,500	32,640 15,368 1,051 13,823 1,238 21,946 5,919	3,260 332 449 (2,623) 962 3,554 1,581
Total general government	125,850	14,400	10,932	3,468 12,770

Township of St. Charles General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2006 (Continued)

	Budgeted	Amounts		Variance with Final Budget
	<u>Original</u>	Final	Actual	Favorable (Unfavorable)
<pre>EXPENDITURES (Continued): Current: Public safety: Building</pre>				
inspections	13,700	14,200	12,790	1,410
Public works: Drain expense Roads	8,000 100,000	8,000 100,000	6,764 58,056	1,236 41,944
Sanitation	64,000	64,000	60,122	3,878
Total Public Works	172,000	172,000	124,942	47,058
Community/economic development: Planning &				
zoning	<u>6,400</u>	6,400	3,970	2,430
Health & welfare: Health center	1,500	1,500	1,123	377
Recreation & culture: Parks & recreation	: 6,000 _	6,000	6,000	
Other: Ecology	500_	500	<u> 500</u>	
Capital outlay	5,500	<u>5,500</u>	5,134	<u>366</u>
Total expenditures	335,950	337,760	273,522	64,238
Net change in fund balances	(67,480)	(69,290)	(7,378)	61,912
Fund balance - beg.	132,051	132,051	151,405	19,354
Fund balance - end. See not	<u>\$ 64,571</u> <u>\$</u> es to fina	<u>62,761</u> s ancial stat	\$144,027 cements	<u>\$ 81,266</u>

Township of St. Charles Statement of Fiduciary Net Assets Fiduciary Fund June 30, 2006

	Tax Collection Fund
ASSETS Cash and cash equivalents	4
Total Assets	<u>\$ -</u>
TOTAL ASSETS	
LIABILITIES Due to other funds	
bde to other rungs	-
NET ASSETS Held in trust for other numbers	
NET ASSETS Held in trust for other purposes	\$ -

Township of St. Charles Statement of Changes in Fiduciary Net Assets Fiduciary Funds For the Year Ended June 30, 2006

	Tax Collection <u>Fund</u>
ADDITIONS Property tax collections and fees Interest	\$2,010,879 1,460
Total additions	2,012,339
DEDUCTIONS Transfer to General Fund Payments to other governmental units	88,506 _1,923,833
Total deductions	2,012,339
Changes in net assets	
Net assets - beginning	
Net assets - ending	<u>\$</u>

Township of St. Charles Notes to the Financial Statements June 30, 2006

I. Summary of significant accounting policies

The financial statements of the Township of St. Charles (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2005 real taxable valuation of the Township totaled \$73,680,727, on which ad valorem taxes levied consisted of .8916 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees to collect the taxes and applicable interest.

The Township reports the following major governmental fund:

The general fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the government reports the following fund type:

The current tax collection fund is an agency fund and is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities and net assets

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASBS No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration(with a maturity of three, months or less) the rate of return is fixed, such as certificates of deposit, and the Township intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers'

acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township Board has designated two banks for the deposit of Township funds, but is currently using only one bank.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

Building	40	years
Building improvements	10	years
Machinery and equipment	5	years
Office furniture and equipment	5	years
Cemetery improvements and		_
equipment	10	years

6. Compensated absences

The Township does not have a compensated absence policy.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

8. Fund balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

9. Use of estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

 The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.

- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to July 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
- 4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- 5. Formal budgetary integration is employed as a management control device during the year for the general fund.
- 6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to July 1st.

B. Excess of expenditures over appropriations

During the year ended June 30, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of amounts appropriated, \$2,623 for clerk and \$173 for township board.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

<u>Deposits</u>

At year-end, the carrying amount of the Township's deposits were \$108,201 and the bank balance was \$110,435, of which \$110,435 was covered by federal depository insurance. The Township has \$51 in petty cash on hand.

Investments

The Township had the following investments at Community State Bank as of June 30, 2006:

Community State Bank - CD (#201759) \$ 50,000

Interest Rate Risk - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fail value losses arising from increasing interest rates.

Credit Risk - The Township's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Township shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depositary of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Township shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Township held in trust by the financial institution or bank. The Township may choose collateralization in the following form and percentages:

- 1. U.S. Treasury Notes 100%; or
- 2. U.S. Treasury Notes and/or Bonds 75% and
- 3. Mortgage Backed Securities 25%

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Township.

The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer. All

of the Township's investments are reported in the General Fund.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits Restricted cash Investments	\$ 105,658 2,563 50,000
Total	<u>\$ 158,221</u>
Cash and cash equivalents: General fund Checks written in excess of deposits	\$ 160,506 (2,285)
Total	\$ 158,221

B. Capital assets

Capital asset balances and activity for the year ended June 30, 2006 were as follows:

Governmental Activities:	Beginning <u>Balance</u>	Increases	<u>Decreases</u>	Ending Balance
Capital assets not being depreciated: Land	\$ 8,835	\$	<u>\$</u>	\$ 8,83 <u>5</u>
Capital assets being depreciated:				
Buildings Building	88,608			88,608
improvements Machinery &	2,000			2,000
equipment Office furniture	11,582			11,582
& equipment Cemetery improvements	46,505	2,363		48,868
& equipment	23,423	2,771		26,194
Subtotal	<u>172,118</u>	5,134		177,252

	Beginning Balance Increases Decreases	Ending Balance
Less accumulated		
depreciation for: Buildings Building	(4,430) (2,215)	(6,645)
improvements Machinery &	(200) (200)	(400)
equipment	(4,633) (2,316)	(6,949)
Office furniture & equipment Cemetery	(18,602) (9,537)	(28,139)
improvements & equipment	(4,684) (2,619)	<u>(7,303</u>)
Subtotal	(32,549) (16,887)	(49,436)
Net capital assets being depreciated	<u>139,569</u> (11,753)	<u>127,816</u>
Governmental activities capital assets-net of depreciation	<u>\$ 148,404</u>	<u>\$ 136,651</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities: General government Township hall Cemetery	\$ 11,853 2,419 2,619	5
Total depreciation expense- governmental activities	<u>\$ 16,88°</u>	<u>7</u>

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B: Pension plan

The Township does not provide a pension plan for its employees.

C: Intergovernmental agreements

The Township has an agreement with the Tri-Township Fire Department of Brant, St. Charles, and Swan Creek Townships to render fire protection to its residents.



Barry E. Gaudette, CPA, P.C. CERTIFIED PUBLIC ACCOUNTANT

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Members of the Township Board Township of St. Charles St. Charles, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

August 9, 2006